

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE DETERMINATIONS WITH RESPECT	) ADMINISTRATIVE
TO THE RATEMAKING STANDARDS	) CASE NO. 203
IDENTIFIED IN SECTION 111(d)(1)-(6)	) (a) Kentucky Utilities
OF THE PUBLIC UTILITY REGULATORY	) Company
POLICIES ACT OF 1978	) (b) Louisville Gas and
	) Electric Company
	) (c) Union Light, Heat
	) and Power Company
	) (d) Kentucky Power
	) Company

O R D E R

On February 28, 1982, the Commission issued its Order with regard to the ratemaking standards identified in Section 111(d)(1)-(6) of the Public Utility Regulatory Policies Act of 1978 (PURPA). One of the PURPA ratemaking standards is time-of-day rates. The Commission's findings and determination on the time-of-day rate standard are found on pages 25 through 33 of its Order. In its determination, the Commission provided a proposed plan for the implementation of time-of-day rates. To assist in the implementation of the plan, the Commission established a Load Management Task Force. The Task Force now consists of three committees, the Steering Committee, Technical Committee, and Customer Education Committee.

The implementation plan as outlined in the Order consists of four phases. Phase 3 calls for the implementation of time-of-day rates for one year. The Load Management Technical Committee, which consists of representatives of utilities, the Attorney General's office, various consumer interests, and Commission staff, is currently focusing much of its attention on designing rates for Phase 3. In order to design rates for Phase 3, the Load Management Technical Committee has inquired of the Commission concerning the likelihood of adopting a price elasticity allowance to account for revenue that may be lost if customers shift their demands from peak to off-peak periods. The development of rates to implement Phase 3 will be dependent upon whether the Commission would allow such a revenue adjustment to be used in computing the time-of-day rates.

The Commission is of the opinion that to request an adjustment in revenue for price elasticity prior to the implementation of the rates would constitute an application for authority to adjust rates. Such an application would require the filing of the information outlined in 807 KAR 5:001, Section 9, of the Commission's regulations. If no additional revenue were included in the development of the time-of-day rates, then Section 6 of 807 KAR 5:011 would apply. The Commission finds that the best way to proceed is to exclude any additional revenue in the calculation of the time-of-day rates. The utilities should document any revenue they may lose solely as a result of the implementation of the time-of-day rates in Phase 3 and then request to recover the revenue in the first general rate case after the conclusion of the study. Once the time-of-day rates are effective, any general rate

increases that occur during the study should also be applied to the time-of-day rates.

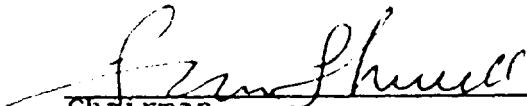
The Commission also finds that newspaper publication of notice of hearings and changes in tariffs as outlined in 807 KAR 5:011, Section 8, will not be required for the implementation of time-of-day rates if each customer to be served under time-of-day rates is notified directly. It is expected that direct notification will be used and the Commission's regulation on publication of notice will be waived.

IT IS THEREFORE ORDERED that the calculation performed to develop time-of-day rates shall not include an adjustment for revenue that might be lost to the utility as a result of a customer shifting demand from the peak period to an off-peak period. The recovery of any revenue lost because of the implementation of time-of-day rates will be considered by the Commission in the first general rate case following Phase 3.

IT IS FURTHER ORDERED that the Commission's regulation 807 KAR 5:011, Section 8, will be waived if all time-of-day customers are notified directly of the proposed tariff changes and hearing dates.

Done at Frankfort, Kentucky, this 8th day of June , 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice-Chairman

ATTEST:

Secretary


Commissioner